

HOUSE FINANCE COMMITTEE
FOURTH SPECIAL SESSION
June 18, 2016
1:12 p.m.

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CALL TO ORDER

Co-Chair Thompson called the House Finance Committee meeting to order at 1:12 p.m.

MEMBERS PRESENT

Representative Mark Neuman, Co-Chair
Representative Steve Thompson, Co-Chair
Representative Dan Saddler, Vice-Chair
Representative Bryce Edgmon
Representative Les Gara
Representative Lynn Gattis
Representative David Guttenberg
Representative Scott Kawasaki
Representative Cathy Munoz
Representative Lance Pruitt
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Brodie Anderson, Staff, Representative Steve Thompson; John Boucher, Deputy Commissioner, Department of Administration; Cori Mills, Assistant Attorney General, Department of Law; Representative Lora Reinbold; Representative Mike Chenault; Representative Gabrielle LeDoux; Representative Paul Seaton; Representative Charisse Millett; Representative Liz Vasquez; Senator Anna MacKinnon.

PRESENT VIA TELECONFERENCE

Joan Wilkerson, Assistant Attorney General, Department of Law; Jake Metcalfe, Executive Director, Public Safety Employees Association, Anchorage.

SUMMARY

HB 4002 INS. FOR DEPENDS. OF DECEASED FIRE/POLICE

CSHB 4002(FIN) was REPORTED out of committee with a "do pass" recommendation and with one new forthcoming fiscal impact note from the Department of Administration and one previously published zero fiscal note: FN1 (ADM).

#hb4002

HOUSE BILL NO. 4002

"An Act relating to major medical insurance coverage under the Public Employees' Retirement System of Alaska for certain surviving spouses and dependent children of peace officers and firefighters; and providing for an effective date."

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Co-Chair Thompson discussed the meeting agenda.

Co-Chair Neuman MOVED to ADOPT the proposed committee substitute for HB 4002, Work Draft 29-GH2430\H (Wallace/Wayne, 6/17/16). There being NO OBJECTION, it was so ordered.

BRODIE ANDERSON, STAFF, REPRESENTATIVE STEVE THOMPSON, explained the changes in the Committee Substitute. The bill contained only one change on page 4, lines 16 through 19. The change limited the benefits for dependent children to ten years; and limited the benefits for surviving spouses to ten years or to the point of remarriage.

Co-Chair Thompson noted that Representative Mike Chenault was present in the audience.

Representative Guttenberg asked about the change to the legislation. He queried the ramifications of the changes in the committee substitute.

JOHN BOUCHER, DEPUTY COMMISSIONER, DEPARTMENT OF ADMINISTRATION, explained that the change would limit duration of benefits to a maximum ten years.

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Representative Guttenberg surmised that, previously, the surviving spouse was entitled to more benefits than outlined in the provision.

Mr. Boucher replied that an individual's circumstances outlined the outcome. He shared that a Tier II or Tier III employee would be required to pay for medical care for a period of time; for instance if the death occurred between year 20 and 25 of service. He remarked that, in general, the provision would place a limit ten years on the particular benefit.

Representative Guttenberg noted that there could be a dependent child who was an infant, so the benefits would not carry until they were 18-years-old. He queried the reason for the 10-year limit, rather than what it would be should that person retire normally.

Mr. Boucher could not speak to the reason for the change in the legislation. He deferred the question to another party.

Representative Gara remarked that the fiscal note started at \$175,000 and increased to \$220,000 in the out years. He felt that the fiscal note reflected the best estimate of the cost of the original bill. He queried the reason for the 10-year limit, and wondered whether the administration proposed the limit.

Mr. Boucher answered that it had not been an amendment put forward by the administration. He assumed it was an attempt to limit costs of the benefit and limit the duration of the benefit.

Representative Gara stated that one of his concerns was that if a trooper or firefighter died in the line of duty and a one-year-old child only received benefits until they were 11 or 12. He did not support that idea. He queried the circumstances regarding typical retirement, without death, that would allow for benefits beyond ten years.

Mr. Boucher replied that a Tier I peace officer or fire fighter died; or an individual who was less than ten years from retirement died; they would be given benefits as a reflection of accumulated service.

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Co-Chair Thompson asked Co-Chair Neuman to provide some clarification.

Co-Chair Neuman wondered whether the bill allowed for the child to receive the insurance until adulthood. Mr. Boucher answered that under the provision the benefit would be discontinued after 10 years. He shared that currently, the individuals did not receive any medical care benefits.

Representative Gara spoke about Tier I employees who had died in the line of duty in a period that was ten years prior to retirement, and surmised that the dependents would be entitled to coverage.

Mr. Boucher answered that Tier I was covered at any age. He explained Tiers II and III had to wait for retirement eligibility in order to have access to the system-paid full medical benefits. He furthered that Tiers II and III may be required to pay a premium.

Representative Gara queried the circumstances that entitle dependents and spouses to health benefits.

Mr. Boucher consulted his notes, because it was a complex issue. He stated that current Tier I employees received premium-free medical in the event of an occupational death. He furthered that Tier II and III employees with 20 years or less service had access to the system, but must pay a premium. He explained that after the Tier II and III employees reached retirement age, which is age 60 or 25 years of accumulated service, they would receive premium-free medical care. He furthered that in order to have access to the system at 100 percent premium paid, Tier IV employees must have at least 25 years of service. He stated that once one became Medicare age eligible or accumulate enough service, the state would participate at the designated rate depending upon service. He stated that, typically, the individual would pay 30 percent of the total premium. He summarized that there were different terms for the different tiers.

Representative Gara expressed concern with the provision.

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Co-Chair Neuman asked whether the employees currently had access to purchasing their own life insurance.

Mr. Boucher asked for clarification.

Co-Chair Neuman wondered whether the employees had access to insurance policies that would cover their spouses, should they be injured in the line of duty.

Mr. Boucher replied that many state employees and those participating in the state's voluntary benefit programs had access to a life insurance premium. He could not speak categorically across all the occupations in the state.

Co-Chair Neuman asked if the organizations or unions had the ability to develop a benefit package, which allowed for members to pay toward the benefit package to cover their own. Mr. Boucher answered that he imagined a union could have that capability.

Co-Chair Neuman spoke to the cost. He thought it could be as low as \$4 or \$5 per month. He queried the cost estimate.

Mr. Boucher replied that the cost depended on the benefit. He shared that a term life policy may have a reasonable premium of \$4 or \$5 per month. He imagined that a premium may be higher for a longer duration of receiving benefits. He remarked that there were many factors that would impact the cost of the premium.

Co-Chair Neuman wondered whether Mr. Boucher had the ability to negotiate the premium cost with the unions and their contracts. Mr. Boucher responded that he negotiated with some unions covered by the bill. He relayed that he would negotiate with the Public Safety Employees Association Union, which covered the Alaska State Troopers.

Co-Chair Neuman wondered whether the Alaska State Troopers could buy into a policy. Mr. Boucher answered in the affirmative.

Representative Wilson queried the age at which the benefits would cease. Mr. Boucher answered that the maximum age for dependent children was 23 in the bill. He stated that after the age of 19, that child must continue in higher education.

Representative Wilson queried the legality of the retroactivity portion of the bill. Mr. Boucher deferred to Ms. Wilkerson.

JOAN WILKERSON, ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW (via teleconference), believed the question arose from the Affordable Care Act (ACA). She remarked that the usual age for coverage was age 26. She shared that the state's present active employee plan covered employees' dependents up to age 26. The statute was written to provide a benefit pursuant to the Retiree Medical Plan (RMP), which was exempt from ACA. The RMP covered up to age 19, or to age 23 for a child that was enrolled in full-time education.

Representative Wilson noted that the bill was retroactive to 2013, in order to cover troopers who were killed in the line of duty. She wondered whether there would be an issue for those not covered before 2013.

Ms. Wilkerson replied that the Department of Law (DOL) felt that there may be legal problems, should the retroactivity be moved beyond 2013.

Representative Wilson asked for verification that there would not be legal problems with the specific date that included only some people. Ms. Wilkerson replied that the provision would not create a legal problem because they were creating a new benefit. She remarked that an amendment to an existing benefit may result in a legal issue.

Vice-Chair Saddler queried the risk of lawsuits or other legal action from Public Employees' Retirement System (PERS) employees who would not be covered by the bill, who have an occupational death with no access to the health benefits for their dependents and survivors.

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Ms. Wilkerson answered that there was always a risk that someone may sue the state. She remarked that the police and firefighter group was separately recognized since the inception of PERS. She remarked that there were different approval rates and contribution rates. She did not believe that the provision would create a risk of litigation by recognizing a special benefit for the specific group.

Vice-Chair Saddler remarked that there was a consideration of offering substantial benefits in the case of an unlikely and horrible occurrence. He queried the range of existing benefits available to the survivors and dependents of the victims of occupational death. He specifically wondered if there were life insurance benefits; accidental death and dismemberment benefits; tuition assistance; or any other benefits.

Mr. Boucher replied that there were other benefits associated with an occupational death. He shared that there was wage replacement, which was either 40 percent or 50 percent of the salary. He remarked that there may be a lump sum payment associated with possible accidental death insurance. He stated that there could be other benefits if the employee participated in a voluntary insurance policy. He shared that there may be other benefits that he could not recall.

Vice-Chair Saddler asked whether an employee had to pay for wage replacement, or was it included in a state paid benefit. Mr. Boucher replied that the wage replacement was an occupational death benefit for all PERS employees.

Vice-Chair Saddler surmised that a spouse or dependent would receive 40 percent and 50 percent of the victim's base pay. Mr. Boucher replied in the affirmative. He explained that the benefit applied to all PERS employees.

Vice-Chair Saddler queried the time duration of the benefit. Mr. Boucher replied that that the benefit would be in place through the duration of that employee's projected career until normal retirement age. The employee would then receive a retirement benefit at the point of normal retirement age.

Vice-Chair Saddler wondered whether the accidental death and dismemberment benefit was an elective benefit. He also queried the amount of the benefit.

Mr. Boucher replied that the accidental death and dismemberment benefit was a voluntary benefit. Therefore, the benefit was dependent on the level of coverage. He noted that the state recently offered a voluntary benefit package for those who participated in the supplemental benefit system, which was a term life insurance policy. He

remarked that the policy had premiums based upon age and the amount of insured money.

Vice-Chair Saddler queried the size of the amounts of the benefit. He remarked that he had seen personal policies, which were many times his salary at a low cost at a low risk. Mr. Boucher answered that the benefit amounts ranged from \$48,000 to \$300,000. He believed that at the time of the policy enactment, the higher limit was closer to \$100,000.

Vice-Chair Saddler queried the amount range for the accidental death and dismemberment policy.

Mr. Boucher believed that the accidental death and dismemberment policy amount was at \$48,000. He furthered that life insurance was a higher amount.

Vice-Chair Saddler queried the limit for life insurance policies. Mr. Boucher answered that currently it was \$300,000, but that amount was relatively new development. He explained that until 2013 \$100,000 was the limit.

Vice-Chair Saddler felt that there was a range of benefits that were remunerative for the decedent's survivors and beneficiaries, even without the additional benefit. Mr. Boucher replied that there were a range of other voluntary benefits.

Co-Chair Thompson stressed that those referenced benefits were voluntary. Mr. Boucher agreed, and pointed out that some benefits were paid and others were part of the compensation package.

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Representative Gara wondered why all spouses and children of the troopers and firefighters who were killed in the line of duty were not treated equitably. He asked why the bill only extended health insurance to someone who was a survivor of someone killed in the line of duty after 2013; rather than another year.

Co-Chair Neuman replied that the reason for the specification was because of cost. He noted that the state was looking at a \$3.5 billion deficit. He remarked that that the legislation may need to be reexamined in ten

years. He added that there may also be adjustments through negotiations in union contracts.

Representative Gara requested testimony from the state troopers. He stressed that a life ending in 2012 was as important as a life ending in 2013.

Co-Chair Neuman wondered if prior governors had provided assistance to the families of those who had died in the line of duty prior to 2013. Mr. Boucher did not believe so. He would have to review the records.

Co-Chair Neuman asked specifically about Alaska State Troopers, and wondered whether those families were covered. Mr. Boucher agreed to provide the information.

Representative Guttenberg noted that the state troopers and firefighters as a specific category of state employee. He wondered what would occur if they were divided, or adding similar benefits to another group.

Mr. Boucher replied that it was not unprecedented to change benefits when creating a new benefit structure. He stressed that it was not unprecedented to change the offered benefits to those individuals who were participating after the date of change. He remarked that the structure would be offered to all PERS employees, in order to maintain the integrity of the benefit in the context of the overall police and fire group.

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Representative Guttenberg queried the legal ramifications for separating the police and fire group from the PERS employees. Mr. Boucher deferred to DOL.

Co-Chair Thompson asked that Ms. Wilkerson respond to some questions.

Ms. Wilkerson asked for a repeat of the question.

Representative Guttenberg queried the legal danger of offering different benefits to people in one group; he also queried the legal ramifications of mixing other singular occupations in other groups into the group. He wondered if there had been any rulings or lawsuits related to those issues.

Ms. Wilkerson replied that singling out a single group in a pension group to receive special benefits was wrong. She stressed that private industry pensions were through Employee Retirement Income Security Act (ERISA) prohibited the limiting of benefits for members in the same pension. She remarked that ERISA did not apply to the governmental plan, therefore there were no federal law prohibitions. She stated that the groups were divided by "Police and Fire" and "All Others." The groups were coded with those names in the PERS software system. She stated that maintaining the two groups separately provided equanimity with how to award the benefits.

Co-Chair Thompson recalled that police and fire had different benefits and retirement length of service, which distinguished them as a separate group. Ms. Wilkerson answered in the affirmative.

Co-Chair Thompson stated that if the legislature tried to bring another group under the bill it could bring legal questions. Ms. Wilkerson replied in the affirmative.

Representative Guttenberg asked what would happen if the group was divided. He provided a scenario of dividing the benefit to either troopers or firefighters only. He wondered if there was equal protection.

Ms. Wilkerson replied that the issue was more related to the funding of the entire pension system. She shared that the current bill applied to all police and fire that were members of PERS. She stated a division within a group would create the question of how to separate out a certain number of employees receiving a benefit.

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Mr. Boucher furthered that currently the benefit was structured by all employers paying a contribution rate to receive the benefit. He explained that creating a benefit structure that was not ubiquitous across the entire class would require creating individual rate structures for each of the benefits. He shared that benefit enhancements or carve outs would result in portability of benefits, because an individual may move from one PERS employer to another. He stated that it would be difficult for the Division of Retirement and Benefits to administer, because there would

be a separate class within the group that required creation of a rate for the particular benefit. He stated that a very small pool may introduce volatility for the particular employers that belong to the benefit, because insurance policies depended on the "law of large numbers." He stressed that he recommended not subdividing the group, if the retirement system was used as the vehicle to deliver medical benefits. He remarked that using a different vehicle to deliver medical benefits may be better. He that it was the least risky to provide the benefits within the confines of the existing groups.

Co-Chair Thompson recalled Representative Gara's question about why 2013 was chosen. He surmised that choosing a year earlier than 2013 would result in legal problems.

Ms. Wilkerson replied in the affirmative.

Representative Gara referred to a chart that included police officers who had died in the line of duty [no title from the Department of Administration dated June 1, 2016 (copy on file)]. He noted that there was a police officer in Hoonah who was shot while on duty, and that police officer had a surviving child. He remarked that, according to the handout, that child had no medical coverage. He wondered why that child would not be covered, when funds were available. He queried the legal problems for covering that police officer's child.

Ms. Wilkerson did not know the answer to the question - she did not have the chart in front of her. She did not know whether the Hoonah Police Department was a contributing PERS participant. She deferred to Mr. Boucher.

Representative Gara felt that there would be no legal problems with providing coverage for dependents of someone who died in 2010 as opposed to 2013.

Ms. Wilkerson wondered if Representative Gara was referring to "dropping the bill."

Representative Gara felt that the constitution would allow the protection of a child whose parent died in the line of duty in 2010, as it would allow the protection of a child whose parent died in the line of duty in 2013.

Ms. Wilkerson replied that her concern was not of a constitutional nature.

Representative Gara wanted to protect as many people as possible. He wondered if there was any protection offered to the child of the police officer who had been shot in Hoonah.

Mr. Boucher replied that the individual would not be covered by the legislation. The legislation would need an amendment to go retroactively for a longer period.

Representative Gara wondered whether the family in Hoonah had any medical or pension benefit. Mr. Boucher replied that he did not know the circumstances of that family. He felt that the family may be depending on the retroactive date.

Representative Gara surmised that the bill would cover the person, should the bill have a 2010 retroactive date. Mr. Boucher did not understand the question.

Representative Gara restated his question.

Mr. Boucher responded in the affirmative. He remarked that there were challenges in retroactively paying six or more years of health claims. He felt that it would be problematic to administer. He stressed that, generally, health care systems did not pay retroactive benefits to that degree.

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Vice-Chair Saddler understood that the essential purpose of the bill was to take care of survivors and dependents of public service officials who died in the line of duty protecting Alaskans. He felt that it was a positive purpose. He noted that some were "outraged" about why the state did not already provide the benefits. He noted that there were existing benefits such as life insurance, which could pay between \$50,000 and \$300,000 in a lump sum at death; accidental death and dismemberment insurance, which could pay a lump sum of \$50,000 to \$300,000; and, at no cost to the spouses, they would receive between 40 and 50 percent of their deceased spouse's salary until the point of retirement.

Mr. Boucher agreed, but remarked that he did not have a complete inventory of all the benefits.

Vice-Chair Saddler noted that there were some bills to benefit military veterans' survivors, which included free tuition at the University of Alaska. He wondered whether there were such tuition benefits for the dependents in the legislation.

Mr. Boucher replied not that he was aware of any benefits provided by the Division of Retirement and Benefits. He remarked that there could be benefits through other organizations or associations. He remarked that the University of Alaska may provide that type of benefit.

Vice-Chair Saddler stressed that the legislature was not "heartless" in taking care of the dependents, decedents, and survivors.

Representative Wilson queried the point at which the ten years would begin.

Mr. Boucher replied that at the point of the onset of the benefit would begin the ten years of medical care insurance. He assumed that the retroactive limit would provide for five or six years, plus forward. He assumed that the intent would be ten years from the onset of the original benefit, therefore 2013 to 2023, etcetera.

Representative Wilson clarified her question. She remarked that the state would owe all the medical costs from 2013 to 2016, and then remain a regular insurance policy. She had originally understood the limit to only pertain to the ten year limit beginning at the effective date, therefore 2016 to 2026. She felt that the two assumptions could not be correct.

Co-Chair Neuman understood that currently the legislation would not impact Tier I members, because they already received those benefits. Mr. Boucher answered in the affirmative. He explained that the ten-year limitation would apply to Tiers II, III, and IV.

Co-Chair Neuman surmised that under existing PERS defined contribution plan, no person was currently eligible for 100 percent system-paid major medical benefits. He remarked that the draft bill allowed for 100 percent premium for

major medical benefits for eligible persons. Mr. Boucher replied in the affirmative.

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Representative Wilson wondered if a family would be covered to 2024, if the incident occurred in 2014. She specifically wondered when the ten years would begin.

Ms. Wilkerson replied that the benefit would begin upon the eligibility of the survivor starting from January 1, 2013 when the event occurred.

JAKE METCALFE, EXECUTIVE DIRECTOR, PUBLIC SAFETY EMPLOYEES ASSOCIATION, ANCHORAGE (via teleconference), stated that his organization represented police officers; state troopers; airport police and fire officers in Fairbanks and Anchorage; court service officers who policed the court building; correctional officers in some municipal police departments; and deputy fire marshals in the Department of Public Safety (DPS). He stressed that some employees in his organization were not state employees - some were local employees. He stated that he did not have time to fully study the committee substitute. He expressed concern with the 10-year limit. He felt that the bill was a simple piece of legislation that provided major medical insurance for the survivors of police and fire fighters killed in the line of duty. He stressed that the benefit was not the current medical coverage, rather the benefit that was received upon retirement. He stressed that the benefit was less than the policy for a current employee.

Mr. Metcalfe stressed that the bill was limited to peace officers and fire fighters, because those employees protected the people of Alaska and worked in dangerous conditions. He recalled quote about peace officers and fire fighters, "Chaos is our normal." He stressed that the benefit was specific to a unique class of public employees whose job required dangerous circumstances where they could be killed. He shared that 14 other states provided the benefit, and the military also provided the benefit. The bill had overwhelming support from all political persuasions. He shared the former Governor Parnell expressed support of the legislation. He remarked that Paul Jenkins wrote a column for the Anchorage Daily News expressing support for the legislation. He shared that the Fairbanks News Miner editorial board wrote an editorial

urging the legislature to pass the bill. He stated that Shannyn Moore supported the bill. He announced that Dermot Cole wrote a column supporting the legislation. He reiterated that there was a broad spectrum of support across the state.

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Mr. Metcalfe shared that he provided research regarding any legal issues related to the provisions of the bill. He stated that no other state had been sued for providing the benefit. He felt that the bill had minimal cost. He urged the committee to pass the legislation. He felt that many people in the state assumed that the benefit was already provided to the first responders. He did not understand why there was a limit to ten years. He shared that one office killed had an infant child, so that child would not continue to have coverage to adulthood. He felt there was a small cost to covering the families of the heroes who gave their lives protecting the people of Alaska. He reiterated his support of the bill.

Vice-Chair Saddler wondered if his association every bargained for the major medical benefits. Mr. Metcalfe asked if Vice-Chair Saddler was referencing the health insurance in the bill.

Vice-Chair Saddler replied in the affirmative.

Mr. Metcalfe replied that his association had not attempted to negotiate the benefits. He felt that the bargaining would be difficult, because his association represented multiple municipalities and state employees. He stated that the negotiations would need to occur with each contract. He stated that bargaining required agreement from both sides. He stressed that there was no guarantee in the negotiations, and contracts were limited to three years. He stated that the benefit in the bill would apply to all employees within the PERS system. He shared that there were many police departments in the state that did not have a union representing them and did not have collective bargaining, therefore those police departments would be subject to that benefit. He noted that most employers provided health insurance to employees in order to ensure healthy workers. He felt that the benefit was recognition of the work done by peace officers, correctional officers, and firefighters.

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Vice-Chair Saddler wondered whether the major medical benefit was more or less valuable than the current occupational death benefit of between 40 and 50 percent of salary.

Mr. Metcalfe did not believe a value could be placed on the difference. He stressed that there were varying benefits available in the occurrence of a death. He stressed that there was no medical insurance for spouses and survivors of a police officer or fire fighter killed in the line of duty. He shared that his own children ranged in ages from 1-year-old to 22-years-old. He stressed that his younger children would need medical benefits for 20 years. He felt that the legislation outlined a valuable benefit. He hoped that the employer would provide that benefit, should an officer be killed in the line of duty. He reiterated that he could not put a value on the benefit.

Representative Guttenberg noted that there were other death benefits available for state troopers and fire fighters that could be obtained outside of the collective bargaining agreement. He wondered whether the association had negotiated those benefits. He asked if there were cost prohibitive issues.

Mr. Metcalfe asked for clarification of the question. He wondered whether Representative Guttenberg was asked about medical benefits or general benefits.

Representative Guttenberg stated that his question referred to the medical benefits that the surviving family would receive.

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Mr. Metcalfe answered that he had not looked to see if the benefit was available. He detailed that state troopers were a part of the Public Safety Employees' Association Health Trust. He elaborated that a health benefit was provided through employer and employee contributions. He noted that not all association members were a part of the health trust (state employees were). He reiterated contribution from the employer and employee was required for the benefit to be provided. He stated that without an employer contribution

he did not know if the benefit would be available to association members beyond the ten-year time period. He furthered that because survivors and children were not employees of the employer he believed it would be difficult for the benefit to be provided.

Representative Gara remarked that Mr. Metcalfe had received earlier questions about the importance of the health benefit. He asked if Mr. Metcalfe believed it would cause hardship for a family if a trooper was killed in the line of duty and the spouse and children had no health insurance.

Co-Chair Thompson interjected there was no question about whether the scenario would cause a hardship. He questioned how much it would cost a family if an infant were to get leukemia. He stressed the importance of major medical insurance and did not believe it was necessary to debate its value.

Representative Gara agreed that major medical insurance was important. He noted there had been some questioning of its importance earlier.

Co-Chair Thompson recognized Representatives Charisse Millett, Paul Seaton, and Liz Vasquez in the room.

Co-Chair Thompson CLOSED public testimony.

Co-Chair Thompson noted that Legislative Legal Services had notified him there was a problem in the bill that needed to be addressed.

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AT EASE

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RECONVENED

Co-Chair Thompson MOVED to ADOPT Conceptual Amendment 1:

Delete Line 17, Page 4, which limited the dependent child's benefits to 10 years. By eliminating this, benefits will extend to the child until they are 19 or 23 (if in college) according to what we have heard today.

Co-Chair Neuman OBJECTED for discussion.

Representative Gara requested to be added as a cosponsor to the amendment.

Vice-Chair Saddler asked for a restatement of the amendment.

Co-Chair Thompson reread the amendment:

Delete Line 17, Page 4, which limited the dependent child's benefits to 10 years. By eliminating this, benefits will extend to the child until they are 19 or 23 (if in college) according to what we have heard today.

Co-Chair Neuman WITHDREW his OBJECTION. There being NO further OBJECTION, Conceptual Amendment 1 was ADOPTED.

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Co-Chair Thompson MOVED to ADOPT Conceptual Amendment 2:

Create a new section to extend the 10 year limitation in Section 7, which applies to the Defined Contribution Plan, to the Defined Benefit Plan.

Co-Chair Neuman OBJECTED for discussion.

Representative Gara asked for verification that without the amendment state employees in Tiers III and IV would not receive the ten-year benefit.

Mr. Boucher clarified that currently the committee substitute included a ten-year limitation, which only applied to Tier IV. The amendment would extend the ten-year limit across all tiers that did not receive system-paid medical.

Co-Chair Thompson clarified the amendment addressed the Defined Benefit Plan. Mr. Boucher agreed.

Representative Gara asked for verification that without the amendment, the benefits for the particular group [Defined Benefit Plan participants] would be unlimited in time or did not exist.

Co-Chair Thompson replied in the negative. He clarified the current committee substitute only addressed the Defined Contribution Plan. The amendment would also include the Defined Benefit Plan, which had been left out of the original legislation.

Co-Chair Neuman WITHDREW his OBJECTION. There being NO further OBJECTION, Conceptual Amendment 2 was ADOPTED.

[2:50:31 PM](#)

Co-Chair Thompson MOVED to ADOPT Amendment 1, 29-GH2430\H.3 (Wallace/Wayne, 6/18/16) (copy on file):

Page 5, line 24, through page 6, line 1:
Delete all material.

Renumber the following bill sections accordingly.

Page 6, line 13:
Delete "Sections 1-13"
Insert "Sections 1 - 12"

Page 6, line 14:
Delete "Section 14"
Insert "Section 13"

Page 6, line 15:
Delete "sec. 16"
Insert "sec. 15"

Co-Chair Neuman OBJECTED for discussion.

Co-Chair Thompson explained the amendment, which had been brought forward by DOL, removed Section 12. He explained the section had been a remnant from a previous version of HB 66 [2015 legislation related to insurance for the dependents of deceased fire and police officers], which had recently been identified for removal.

Ms. Wilkerson addressed the amendment. She explained that in DOL's review, it had identified Section 12 as a remnant of a prior bill version. The section contained a provision that had been removed due to redundancy. However, in retrospect, DOL had determined the provision would not be redundant, but it actually performed an essential function

in maintaining the integrity of the entire plan. Therefore, the department requested the removal of Section 12.

Vice-Chair Saddler asked for verification that the section (page 5, line 24 through page 6, line 1) needed to remain in the bill, but it had not been in previous bill versions.

Ms. Wilkerson replied that she was referring to the provision in Section 12, page 5, line 29 "[OR 29.35.892(e)]," which would be removed. She explained DOL did not want to remove the language. She elaborated that Section 12 had no further purpose; therefore DOL asked for the deletion of the section.

Representative Guttenberg asked if the language "OR" in the provision was merely the word "or." Ms. Wilkerson replied in the affirmative.

Representative Gara asked for verification that the department was not proposing to delete the whole AS 39.35.894 (Section 12). He surmised Amendment 1 would delete the deletion of "[OR 29.35.892(e)]." Ms. Wilkerson replied in the affirmative.

Vice-Chair Saddler believed the amendment deleted all of Section 12. Mr. Boucher replied in the affirmative.

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Ms. Wilkerson replied that "the purpose of Section 12 was that change." Therefore, it had been determined that the section was no longer needed.

Co-Chair Neuman WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment 1 was ADOPTED.

[2:55:08 PM](#)

Co-Chair Thompson MOVED to ADOPT Amendment 2, 29-GH2430\H.4 (Wallace/Wayne, 6/18/16):

Page 4, line 2:
Delete", "
Insert "and"

Co-Chair Neuman OBJECTED for discussion.

Co-Chair Thompson explained the amendment had been brought forward by DOL. He explained that the word "and" had been removed, which resulted in potential confusion about the eligibility requirements for a surviving spouse to receive a death benefit. Amendment 2 would insert the word "and" back in.

Ms. Wilkerson relayed DOL recommended reinserting the word "and" and removing the comma. She detailed that the deceased member would have to be a peace officer or firefighter and the surviving spouse would have to be eligible to receive the death benefit. The deletion of the word "and" would add confusion to the reader about whether the two things had to happen for a person to become eligible for the benefit.

Co-Chair Neuman WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment 2 was ADOPTED.

[2:57:01 PM](#)

Co-Chair Neuman MOVED to ADOPT Amendment 3, 29-GH2430\H.1 (Wallace/Wayne, 6/17/16) (copy on file):

Page 1, line 3:

Delete "peace officers and firefighters"

Insert "officers of the Alaska state troopers"

Page 2, line 25:

Delete "peace officers or firefighters"

Insert "officers of the Alaska state troopers"

Page 4, line 2:

Delete "a peace officer or firefighter"

Insert "an officer of the Alaska state troopers"

Page 4, line 5:

Delete "a peace officer or firefighter"

Insert "an officer of the Alaska state troopers"

Representative Gara OBJECTED for discussion.

Co-Chair Neuman explained the amendment tightened language from peace officers and firefighters - which could encompass firefighters, airport security officers, university police officers, village public safety officers (VPSO), and Department of Transportation and Public

Facilities commercial and inspection officers - to officers of the Alaska State Troopers. He believed the entire topic had arisen because of the desire to provide survivor benefits to families of Alaska State Troopers who had died while in the line of duty. He stated it was a very popular offer to the individuals. He believed Alaska State Troopers are heroes, who are willing to put their lives on the line, which he believed was the reason there were only 400 troopers. He could understand the reason for trying to assist their families; however, he did not believe the individuals would be getting benefits if they were not government or state employees. He was not aware of any other private industry offering the benefits unless it had been negotiated into a salary or benefits package. He stressed the state had a \$3 billion deficit. He noted the committee continued to hear the bill would not cost "that much"; however, budget items added up, which could result in a \$4 billion budget. He was very concerned about the issue. He continued that it went back to trying to fight coverage for troopers.

Co-Chair Neuman continued to address the amendment. He believed firefighters, volunteer firefighters, and police officers in all of the state's municipalities would be covered under the legislation. He reasoned that one way or another someone had to pay for the bill. Currently there were discussions in the legislature about whether the state could afford the 12.56 percent cap on the Teachers' Retirement System (TRS) and the 22 percent cap in municipalities. He relayed the bill would continue to add to the burden of the state; he suspected the discussions were forthcoming. He stated the cost was "upwards of another \$200 million for those other benefits - not just these benefits here - to the state because we did tap that I believe in 2008." He believed the bill reflected an unfunded mandate to municipalities. He understood that a document from Legislative Legal Services (provided as backup to the amendment) specified the amendment may be unconstitutional. He had spoken to the Department of Administration (DOA) and relayed intent to ask additional questions. He stated Mr. Boucher had conveyed the amendment would be an administrative issue from the department's perspective. He mentioned the Defined Benefit and Defined Contribution Plans and Tiers I, II, III, and IV. He specified that administratively the department would need to have a carve-out for Alaska State Troopers. He asked if that was the department's biggest issue with the amendment.

Mr. Boucher answered that from the perspective of the retirement system he did not believe it was a constitutional issue. He deferred to DOL pertaining to constitutionality. He explained the amendment would create a carve-out of a benefit for a subset of the existing police/fire group, which would be a precedent setting event. He noted that it had not been done previously throughout the history of PERS. He did not want to discount the event because it would require the state to set separate employer rates for the State of Alaska or employers with Alaska State Troopers versus municipality employers or other entities that did not participate in receiving the benefit.

[3:02:06 PM](#)

Co-Chair Neuman addressed DOL and relayed Mr. Boucher's concerns about the administrative aspects of the amendment. He asked if DOL believed there was a high risk of municipalities suing the state if the legislature decided to offer more benefits to Alaska State Troopers, but not to everyone.

CORI MILLS, ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW, responded that in general DOL agreed with the analysis by Legislative Legal Services. She detailed when it came to equal protection, it was impossible to know when someone would sue. She could not specify the risk of a lawsuit. She relayed the issue was more of an economic interest and DOL did not see the amendment as raising significant legal concerns from an equal protection perspective; however, the specific class had been selected because peace officers and firefighters were already set out as a category within PERS. She furthered the category had existed for a long time; therefore, there was less risk with the current categories.

Co-Chair Neuman surmised DOL believed there could be issues with law, but it did not see a significant risk to the state. Ms. Mills answered in the affirmative.

Co-Chair Thompson observed that the amendment would remove firefighters from the bill. He deduced the airport fire departments entering a burning passenger plane to save lives would not be covered.

Ms. Mills replied that the Amendment 3 would limit the benefit to state troopers.

Representative Gara spoke in opposition to the amendment. He noted the constitutional issue was interesting and debatable, but it was not his present concern. He was concerned the amendment defeated the intent of the bill. He specified the bill aimed to grant health coverage to surviving children and spouses of people who took dangerous jobs that involved the clear risk of death. He stressed the individuals included firefighters, police, and troopers. He did not see a distinction between a trooper (who should receive the benefit) and a police officer or firefighter who would not get the benefit under the amendment. All of the individuals had signed on for very dangerous jobs.

[3:05:49 PM](#)

Vice-Chair Saddler asked what the population of the covered members was likely to be if the amendment passed. He asked if 400 was accurate. Mr. Boucher replied that 400 was a reasonable estimate, but he would have to follow up with exact numbers.

Vice-Chair Saddler wondered if a group like the Public Safety Employees' Association may sue.

Co-Chair Thompson stated did not want to speculate on whether a specific group might sue the state.

Vice-Chair Saddler stated that it was a question about where to draw the line. He remarked the amendment sought to draw the line at one point, whereas the bill sought to draw the line at a far different point. He reasoned it was fair to consider that any state employee who may be killed in the line of duty had no less needy dependents or survivors than a public safety officer.

Representative Wilson stated the amendment would not include fire service areas or firefighters (who were contractors) or VPSOs. She stated it made the bill difficult. She agreed that the state needed to protect individuals in the line of fire for any reason. She referred to university police and fire and students (individuals who were not full-time employees); and airport employees. She asked how many firefighters in the state

would be covered under the bill. She assumed the numerous seasonal firefighters would not be covered.

Mr. Boucher responded that there were 97 firefighters; the total covered population under the legislation was approximately 3,600. The total could be divided between peace officers and firefighters; of the 3,600 slightly under 900 were in the firefighter category (roughly one-quarter of the total).

[3:08:44 PM](#)

Representative Wilson asked if corrections officers were included in the legislation. She asked for the definition. She remarked the conversation kept referring to peace officers and firefighters; however, the definition for peace officers encompassed much more than police.

Mr. Boucher agreed. He consulted his notes.

Co-Chair Thompson noted that Senator Anna MacKinnon had joined the audience.

Mr. Boucher pointed to the definition in AS 39.35.680, which included police, chief of police, regional public safety officers, correctional officers, correctional superintendents, probation officers, firefighters, and fire chiefs.

Representative Wilson wanted to make sure that they were not only talking about police and firefighters. She reiterated that peace officers included numerous groups. She wanted to protect individuals in the line of duty. She reasoned a DOT officer who got run over was in the line of duty. She questioned whether the group in the bill should be narrowed further or maintained at the bill's current size. She wondered if the right thing to do was to offer the benefit to anyone working for the state; the dependents of the individuals would also have the same issue where their insurance would be terminated [if the state employee was killed on the job].

[3:11:04 PM](#)

Representative Edgmon was having trouble with the amendment. He spoke to the entire intent of the bill, which was to provide a benefit to the individuals who put

themselves in harm's way and may be killed. He reasoned that duty was not restricted to state troopers. He weighed the issue with the bill's additional cost and referred to a roster of state employees who had been killed in the line of duty, which represented a small number relative to the state's 25,000 or so state employees. He stated that thankfully it would stay the same going forward. He spoke to what he believed was the right thing compared to the potential incurred cost. He furthered that he did not know that the additional cost would be prohibitively expensive under the bill's present structure. He was struggling with the idea of limiting the benefit to state troopers.

Representative Gattis wanted to be sure about how the bill and amendment may affect her municipality. She asked if the bill financially impacted municipalities. She also wondered whether the amendment would financially impact municipalities. She reasoned the amendment would affect the Wasilla Police Department.

Mr. Boucher referred to page 7 of a PowerPoint presentation titled "Alaska Department of Administration Department Overview" dated June 14, 2016 (copy on file). He detailed that as the bill was currently constructed, DOA projected the cost to go to the state because it would increase the liability of employers, but currently employer liability was capped at 22 percent. Therefore, the bill would increase the state assistance payment it was statutorily obligated to pay for costs above 22 percent for PERS. He furthered that when the rates were built there was essentially a rate paid by the employer up to the 22 percent cap. The bill would increase the base rate and in the absence of a cap it could increase an individual employer rate with peace or firefighter employees.

Representative Gattis asked if the bill would increase the rate for the Wasilla Police Department.

Mr. Boucher responded that the Wasilla Police Department would continue to only pay 22 percent on its employees. He elaborated that if the cap was removed or the rate decreased below 22 percent, all of the employers with peace and fire officers would be contributing to the benefit versus those who were not. According to his records, the City of Wasilla had approximately 27 peace officers who were members of PERS. He noted there may be other peace officers who were not members of PERS. He elaborated that

without a 22 percent cap, employers of peace and fire employees would be contributing to the benefit.

[3:16:41 PM](#)

Representative Gattis wanted to make sure the legislature was not increasing rates without municipalities' knowledge. She asked how the amendment would impact municipalities.

Mr. Boucher understood the amendment's purpose would be to limit the benefit solely to individuals employed as Alaska State Troopers. The dynamic he had spoken about would limit the rate increase to the State of Alaska. Currently all peace and fire rates for all employers were equal; the officers all fell within the same pool. The amendment would set a new precedent that the state could provide a different benefit under PERS. The change would require administrative support - the payroll for the particular employers would be different in the long-term due to the different "benefit suite." He was concerned about setting that precedent. He detailed in the future an employer could argue for another unique structure. He continued that over time employers could be divided into separate benefit pools instead of maintaining a pool that was somewhat ubiquitous system-wide. He added there were already different tiers with plenty of complexity. He was concerned about opening the door to additional complexity.

[3:19:05 PM](#)

Co-Chair Thompson spoke to his involvement in negotiated police in fire contracts (which included wages and the employee's insurance contribution rate) as a former mayor. He asked if it was possible for municipalities to negotiate survivor benefits for employees outside the scope of the legislation. He surmised municipalities could choose to pay for the benefits at the local level (if the amendment passed).

Mr. Boucher responded in the affirmative. He noted he did not have experience at the municipality level. He added the only issue that could arise was related to current PERS employees who may not be represented by collective bargaining or may not have the particular arrangement committee members were familiar with in their political subdivision. He specified that employers could provide the benefit if they chose.

3:20:25 PM

Representative Pruitt believed the intent of the amendment was to cover state troopers. He referred to historical information provided by DOA showing that firefighters should fall under the Department of Natural Resources (DNR); there had been three employee deaths under DNR - the most recent being in 1993. He added he did not know whether firefighters had been among the deceased. He reasoned time had passed since a firefighter had potentially passed away. He believed the amendment's intent was for the state to take care of its employees and a municipality could decide to extend the benefit to additional employees (e.g. the Anchorage Police or Fire Departments) and would therefore be responsible for paying the cost. He asked if the amendment would allow for a local municipality to pay for the benefit or whether the state would still have liability.

Mr. Boucher agreed with Representative Pruitt about the amendment's intent to not have municipal or non-state employers contribute. He explained it would depend on how a municipality proposed to deliver the benefit structure. He provided a hypothetical scenario where a group of municipalities came to the legislature in the coming year specifying they would like to deliver the benefits through PERS just like the state did for the troopers. He detailed that if a 22 percent cap was in place, the municipalities would essentially be allowed to provide the benefit at no additional cost to them. He agreed with Representative Pruitt's premise, provided the committee change the delivery method of the benefit from a retirement system contribution.

Representative Pruitt surmised if a municipality decided it wanted to offer the benefit under PERS and the legislature passed legislation to that effect, the bill would need to include a provision specifying the municipality would be responsible for the entire cost. He elaborated the state would only be responsible for the cost up to 22 percent. He construed if the bill passed and something happened to a local police officer before the legislature reconvened the following session and a municipality chose to offer benefits independently outside of PERS, the cost would rest entirely on the municipality. He asked about the accuracy of his statements.

Mr. Boucher agreed. He furthered that as long as a municipality's insurance delivery system was not PERS, the municipality or political subdivision would bear the cost in full.

[3:25:41 PM](#)

Representative Pruitt reiterated that unless the legislature made a statute change, municipalities would have the opportunity to offer the benefits outside PERS and would bear the entire cost. He wanted to ensure the state would not be taking on the cost. He concluded the state would bear the burden of the costs if the legislature passed a different statute during the next session to include the additional employees under PERS.

Representative Gara expressed confusion about the issue. He asked if an Anchorage police officer killed in the line of duty would receive the benefits under the current legislation. Mr. Boucher answered in the affirmative, as long as the individual was covered under PERS.

Representative Gara questioned why an Anchorage police officer would not be under PERS.

Mr. Boucher responded that in his experience, individual participation agreements were different for municipalities. Municipalities choose who would be covered; there may be individuals within the police department the municipality may have decided to not cover (e.g. a dispatcher). He underscored that in order to receive the benefit there had to be a connection to PERS.

Representative Gara restated his understanding that if a police officer was killed in the line of duty they would receive the benefits under the current legislation. He asked for verification that the state would pay 78 percent of the cost and the municipality would pay 22 percent.

Mr. Boucher explained that the 22 percent cap pertained to the ongoing personal services cost built in for individuals for PERS. The state paid the actual rate above 22 percent in its annual payment; it was nowhere near an additional 78 percent. Under the legislation, the funds would ultimately be paid from the retirement health trust.

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Vice-Chair Saddler understood the complexity and challenge related to accounting. However, he did not see the potential accounting burden as a compelling enough argument to prevent carving out peace officers and firefighters from the legislation. He believed the state was supposed to be enhancing the personnel accounting system and he hoped it had the capability to make the calculations. He stated the amendment addressed where the line would be drawn. He continued if the legislature was willing to exclude some PERS employees from the benefit he did not see a compelling argument that others could not be excluded. He believed "hammering it out more closely to cover troopers and not firefighters seems to be legitimate and in keeping with the spirit of this bill." He stated the department had testified there were occupational death benefits for all PERS employees. He reasoned carving the benefit in the bill out for specific employees would not leave firefighters and others bereft of other benefits. He believed if there was an increase in costs it would be for PERS employees that would be borne by the state because it had agreed to take on the expense above 22 percent of the personnel cost. He concluded if the bill pushed the cost up, the state would pay the expense. He wondered if the cost would be covered from the General Fund or the retirement trust.

Mr. Boucher replied that the fiscal note proposed a projected change in the annual state assistance payment, which was a direct payment by the state to the retirement trust. Generally the payment had come from the General Fund; however, in the current iteration of the budget a different fund source had been used in addition to general funds.

Vice-Chair Saddler clarified that ultimately the pockets would be the state General Fund via the retirement or state assistance funds. He was inclined to support the amendment due to the substantial budget challenges. He reasoned that everything the state paid for was good for some people, but it "came back to roost" when it came time to pay for the services. He referred to his earlier question about whether someone would potentially sue the state over the differential treatment of firefighters and state troopers. He concluded if the amendment passed they would find out if the distinction was allowable.

3:32:09 PM

Representative Wilson asked for verification that if the amendment passed there was nothing preventing the municipalities from deciding how to cover their own employees.

Mr. Boucher was not aware of any barriers municipalities would have if they chose to try to offer the benefit to their peace officers, firefighters, or another group.

Representative Wilson asked for verification there was nothing stopping the legislature from changing statute and getting out of the PERS and TRS municipalities. She believed the legislature could elect to stop pitching in money for the municipalities.

Mr. Boucher asked if Representative Wilson was referring to the state assistance payment.

Representative Wilson replied in the affirmative. Mr. Boucher answered it was a decision made by the legislature on an annual basis.

Representative Wilson supported Amendment 3. She surmised that without the amendment the bill would act as another unfunded cost. She remarked that the City of North Pole had police and firefighters on a very limited budget. She could not currently put additional pressure on the city and would prefer to leave it up to the city to decide.

Mr. Boucher elucidated there was currently a statutory requirement for the legislature to fund above 22 percent.

Co-Chair Thompson asked for verification the amendment would not change the requirement. Mr. Boucher replied in the affirmative. He detailed no one was changing the existing statutory requirement for the legislature to fund the amount [above 22 percent].

Representative Wilson clarified that the legislature could elect to change the statutory requirement. She remarked a bill had been proposed earlier in session, which had looked at the possibility. She continued that as the state's deficit continued, the legislature would be considering numerous ideas. She understood that at the current time the bill may not be increasing costs for municipalities, but in

the future it could be. She reasoned it was a step the municipalities could take versus having the legislature force something on them.

[3:34:54 PM](#)

Co-Chair Thompson liked the idea. However, he was concerned about the idea of firefighters losing their lives when running onto a burning airplane to save lives. He questioned not providing the benefits to individuals doing their job to save lives.

Representative Pruitt appreciated the Co-Chair Thompson's comments. He discussed that the legislature could decide to take care of state employees and leave the remaining decision up to municipalities. He addressed the amendment and wondered if instead of carving out firefighters and others whether it was possible to apply the benefits to state employees, while leaving the decision to cover municipal employees up to the municipalities. It was slightly different than the proposed amendment, but he wondered it would help with concerns about covering employees within the state's purview.

[3:36:48 PM](#)

Co-Chair Neuman provided wrap-up on Amendment 3. He relayed he was not approaching the issue "as a heartless" person who wanted to deny coverage for people who die in the line of duty working for the state or municipalities. He knew municipal and state police officers were aware their jobs were very dangerous. He believed the state did its best to provide the best equipment and training possible. He relayed that his first question to state troopers when doing a ride-along was about whether they felt safe, had the right training, sufficient backup, and the right equipment; the answer had never been "no." He commented on the type of vehicles they used.

Co-Chair Neuman stressed the issue was about the cost of the tens of thousands of expenditures the state had. He relayed the state had been adding small expenditures over 50 years, which added up and had resulted in a large budget. He detailed the budget had become larger in the past ten years during a period of surpluses. He reasoned it was much easier to pass a bill with a fiscal note during good financial times. He believed discussion on the current

concept was to ensure the state provided coverage for Alaska State Troopers who lost their lives in the line of duty. He was trying to limit the focus to state troopers. He remarked the costs had grown to encompass municipalities, firefighters, police officers, and other. He underscored the legislature had already considered legislation on the state's budget during the current session; it had covered a significant amount of the non-formula General Fund expenditures for day-to-day state operations. He believed the legislature had cut those services to the point where it had looked at taking cable television out of the Alaska Pioneer Homes because it did not believe the state could afford the \$24,000 or \$28,000. He noted he did not know what else an 80-year-old would do, but the discussions had been necessary [given the state's deficit]. He thought the cut may have been made and the legislature had asked the Alaska Mental Health Trust Authority (AMHTA) to help with funding.

Co-Chair Neuman reiterated that costs continued to grow annually. He emphasized that the cost of medical and health insurance killing the state. He questioned how many times individuals had heard the state's retirement system was upside down. He underscored there was a huge debt. He asked whether the state could afford to add additional costs to the budget. He was committed to providing coverage for state troopers. He detailed municipalities had the option to purchase their own insurance, which was not very expensive. He believed some of the costs were an additional \$4 or \$5 on an insurance plan. He remarked legislation had been introduced related to formula undesignated general funds, which was basically Medicaid, PERS, and TRS. He continued the state was covering upwards of \$200 million. He suspected the legislature would need to consider whether the caps could be maintained at their current level. He referred to the state's \$3 billion deficit. He surmised the funding was municipal revenue sharing in its own way; the action had been implemented in 2008 when the price of oil had been increasing and the state had been able to put billions of dollars into savings. He underscored that the state was no longer in that position. He remarked that committee members had participated in many difficult discussions on difficult legislation and the associated costs. He remarked it would be nice to have additional money for departments. He stressed that more was being added to the budget than the state could afford.

Co-Chair Neuman emphasized the legislation would add more to the cost of the state. He referenced the testimony from the departments on constitutional issues, which he believed had been flushed out. He added the chances of the state getting sued were probably small. He reasoned that another union could say it also wanted the benefits given to troopers, which could potentially result in a loss of the benefit for troopers. His concern was about the state's budget. He questioned whether the \$200,000 would be taken away from the troopers the coming year when the legislature reduced the budget. He stressed he had denied requests for additional funds from the municipalities and others for the past two years. He provided additional examples about denying funding requests. He elaborated the legislature was trying to find money for other things in dire need of funds. For example, he did not believe there was any money included in the budget for the state's deferred maintenance needs on its facilities. He stressed the bill would provide coverage for troopers, which was the original intent. He referred to requests to provide coverage for troopers from former Governor Parnell and others. He understood there were state firefighters. He would accept Representative Pruitt's proposal as a friendly amendment; however, he remarked the state could not afford an additional burden. He also stated that the issue could be revisited and money could always be added later. He reiterated the money had to come from somewhere and presently it would have to come from savings. He added the governor wanted to spend the Permanent Fund to cover costs.

[3:45:14 PM](#)

Co-Chair Neuman elaborated that the public had vocalized it did not want to see money taken from the Permanent Fund. He continued that the public had recommended cutting the cost of state government. He did not believe the cost of covering troopers would be significant.

Representative Wilson requested an "at ease."

[3:45:58 PM](#)

AT EASE

[4:12:32 PM](#)

RECONVENED

Co-Chair Thompson indicated that the committee had been considering Amendment 3.

[4:12:54 PM](#)

AT EASE

[4:13:21 PM](#)

RECONVENED

Representative Wilson MOVED to AMEND Amendment 3.

Co-Chair Thompson OBJECTED for discussion.

Representative Wilson proposed changing the Amendment 3 language to "peace officers or firefighters employed by the state" instead of [offering the benefit to] Alaska State Troopers only.

Representative Edgmon spoke in opposition to the original Amendment 3 and to the proposed amended form. He noted there had been a lengthy discussion during the recent break about the underlying amendment. He believed the amendment would open a Pandora's Box with the entire PERS system. He believed the amendment further exposed the bill to a challenge by a great many participants across the state. He feared that if the committee veered from the underlying bill it would endanger the very benefits the committee was trying to provide to the state troopers.

Co-Chair Neuman viewed the amendment as friendly. He noted the state came up against lawsuits daily. He remarked the legal system process was lengthy and if problems arose he believed there would be time to work them out. He continued to express concern about additional costs to the state.

[4:15:42 PM](#)

Representative Gara was unclear what the amendment to Amendment 3 would do. He thought it was intended to cover only state employed troopers and firefighters.

Representative Wilson answered it would also include peace officers employed by the state. Additionally, the amendment would mean the state would not be making the decision [to cover additional employees] for municipalities.

Representative Gara spoke in opposition to the amendment to Amendment 3. He saw no distinction between a municipal firefighter or police officer killed in the line of duty and a state employee.

Representative Pruitt asked the department why it would be potentially problematic to try to carve out state employees from city employees.

Ms. Mills replied that PERS was a cost-share system. She detailed municipalities were effectively a pool and each contributed the same rate/amount of money. She believed the current system had been created in 2008. She addressed carving out the state employees. She specified peace officers and firefighters had always been in place as a category and all others had been in place as a separate category. The amendment to Amendment 3 proposed to add the state as yet another category of benefits and plans, which would have to be calculated. The change would mean the cost-share where all peace officer and firefighters paid in, would no longer work. The change would mean fundamentally modify the way the retirement system worked.

Representative Pruitt surmised the issue revolved around the state's decision to cover everything in PERS. He reasoned the state and municipalities could be separated in just about everything; however, the "hiccup" arose because both were included in PERS. He detailed that municipalities could do something on their own (separate from PERS), but given the PERS structure, there was no differentiation between the state and municipalities in that specific area.

Ms. Mill responded in the affirmative. The bill dealt with PERS, which was the reason it was difficult to carve out different groups. She detailed if a different insurance or benefit was offered in another manner there may be other options where distinguishing between the municipalities and the state would be easier.

[4:19:46 PM](#)

Representative Pruitt surmised the state could carve out the state [employees] if a new program was created outside of PERS. He reiterated his understanding that the challenge lay with the fact the bill specifically dealt with PERS.

Ms. Mills agreed. She noted there was a possibility numerous alternatives existed, but they would have to be evaluated. She restated PERS caused the issues [in relation to the amendment to Amendment 3].

Representative Munoz remarked that for the specific category of employees, the employee and employer in PERS were paying the same rate. She reasoned if state troopers were carved out of the category it would be necessary to create a different rate structure for those employees because it would include an additional benefit that other employees did not have. She asked for the accuracy of her statements.

Mr. Boucher agreed. He detailed that statutes guided the cost-share system and the administration was reluctant to provide a customized benefit for a specific group that was not within the existing categories.

[4:21:19 PM](#)

Vice-Chair Saddler agreed with the intent of the amendment to Amendment 3, but wanted to ensure he understood it. He surmised that because PERS was a cost-sharing program between municipal and state governments, the amendment would lower the overall cost of the bill, but it would require municipalities and the state to share the cost and only state employees would receive the benefit.

Mr. Boucher responded that once the state went down the road of providing a custom benefit for a specific group, the state would be compelled to have a different rate structure, which would break down the cost-share principal. He observed the policy direction the committee seemed to be heading towards was "you should pay for what benefits you receive." He explained that within PERS, the benefits were the same across the board in order for rates to be ubiquitous no matter what employer an employee had. He concluded the system would be fundamentally changed if a different direction was taken.

Vice-Chair Saddler spoke to the goal of ensuring people paid for the benefits they received. He observed that as the current system stood, the state was actually paying for benefits or costs that municipalities should rightly pay (because the state had agreed to pay all costs above 22

percent). He reasoned the current system was not perfectly equal.

Co-Chair Thompson MAINTAINED his OBJECTION to AMEND Amendment 3.

A roll call vote was taken on the motion.

IN FAVOR: Saddler, Wilson, Neuman

OPPOSED: Edgmon, Gara, Guttenberg, Kawasaki, Munoz, Pruitt, Gattis, Thompson

The MOTION to amend Amendment 3 FAILED (3/8).

Co-Chair Thompson returned to Amendment 3.

Representative Gara MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Wilson, Gattis, Saddler, Neuman, Thompson

OPPOSED: Edgmon, Gara, Guttenberg, Kawasaki, Munoz, Pruitt

The MOTION to adopt Amendment 3 FAILED (5/6).

[4:25:10 PM](#)

Representative Kawasaki MOVED to ADOPT Amendment 4, 29-GH2430\H.2 (Wallace/Wayne, 6/18/16):

Page 1, following line 4:

Insert a new bill section to read:

"* Section 1. The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE INTENT. It is the intent of the legislature to consider methods and mechanisms to provide payment of death benefits to the surviving spouses, designated beneficiaries, children, or parents of village public safety officers and volunteer firefighters who die during the performance of duties."

Page 1, line 5:

Delete "Section 1"

Insert "Sec. 2"

Renumber the following bill sections accordingly.

Page 6, line 13:
Delete "Sections 1-13"
Insert "Sections 2-14"

Page 6, line 14:
Delete "Section 14"
Insert "Section 15"

Page 6, line 15:
Delete "sec. 16"
Insert "sec. 17"

Co-Chair Thompson OBJECTED for discussion.

Representative Kawasaki explained the amendment. He believed it had been clearly expressed that people serving in a capacity as law enforcement and working side-by-side with law enforcement officers (e.g. VPSOs, volunteer firefighters) were subject to the same dangers as troopers and PERS firefighters and public safety employees. He detailed that because the bill dealt specifically with PERS employees, he believed it was necessary to recommend or for the legislature to consider, some sort of parity when providing the benefits outside of PERS.

Co-Chair Thompson thought the amendment got carried away. He observed it pertained to surviving spouses, designated beneficiaries, parents, VPSOs, and volunteer firefighters. He explained the individuals were not under PERS and there was no instrument to do so. He thought the amendment should be researched and presented as a separate bill in the next session.

Vice-Chair Saddler opposed the amendment. He stated there were already methods and mechanisms for receiving the benefit. He detailed people could purchase insurance at a low cost. He reasoned there were existing mechanisms in place if the goal was to conserve resources and provide benefits for high-risk employees. He agreed that including designated beneficiaries, parents, and children was too expansive. He facetiously asked about including the benefit to neighbors and close friends.

[4:27:12 PM](#)

Representative Guttenberg believed it was problematic there was not a coordinated effort to look at the issue. He discussed that one village organization or volunteer fire department may offer the benefit; however, the most advantageous way to provide insurance was through a pooling method. The amendment did not propose anything other than intent to look at different options and at the big picture. He elaborated that villages, local fire departments, and volunteer organizations did not have the ability to have a discussion focused on the big picture. He stressed that only the state had the ability to look at the big picture and to bring everyone in.

Representative Wilson commented there was no way for the amendment to fit under the bill or in PERS.

Mr. Boucher replied in the affirmative.

Representative Wilson expressed opposition to the amendment. She believed the concept was a good idea, but not under the current legislation.

Co-Chair Thompson MAINTAINED his OBJECTION to Amendment 4.

A roll call vote was taken on the motion.

IN FAVOR: Edgmon, Gara, Guttenberg, Kawasaki
OPPOSED: Gattis, Munoz, Pruitt, Saddler, Wilson, Neuman, Thompson

The MOTION to adopt Amendment 4 FAILED (4/7).

[4:29:11 PM](#)

Co-Chair Neuman MOVED to REPORT CSHB 4002(FIN) as amended out of committee with individual recommendations and the accompanying fiscal notes. Authorization was given to Legislative Legal Services to make any necessary technical or conforming amendments. There being NO OBJECTION, it was so ordered.

CSHB 4002(FIN) was REPORTED out of committee with a "do pass" recommendation and with one new forthcoming fiscal impact note from the Department of Administration and one previously published zero fiscal note: FN1 (ADM).

Co-Chair Thompson recessed the meeting to a call of the chair [note: the meeting never reconvened].

#

ADJOURNMENT

4:29:58 PM

The meeting was adjourned at 4:29 p.m.